

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6259

BILL NUMBER: SB 157

NOTE PREPARED: Dec 9, 2002

BILL AMENDED:

SUBJECT: Sales Tax on Gasoline and Special Fuel.

FIRST AUTHOR: Sen. Riegsecker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill repeals the requirement that distributors and retail merchants prepay the Sales Tax on gasoline and special fuel.

The bill also allows exempt persons to claim an exemption from the Sales Tax on gasoline and special fuel at the time of the transaction rather than through a refund process.

Effective Date: January 1, 2004.

Explanation of State Expenditures: *Department of State Revenue:* Eliminating the prepayment of the Sales Tax on gasoline and changing the refund procedure could have an administrative impact on the Department of State Revenue. The changes are not expected to change the staff or resource requirements of the Department.

Explanation of State Revenues: *Sales Tax Prepayment:* This provision is not expected to have a significant impact on the total amount of Sales Tax revenue generated from gasoline sales. However, repealing the prepayment provision will cause a one-time revenue shift from FY 2004 to FY 2005. Since this proposal will eliminate the monthly or quarterly remittance of the prepaid Sales Tax assessed on gasoline and special fuel sales, it is estimated that approximately 90% (the rate used to determine prepayment) of one month's collections will not be collected in FY 2004. Based on historical adjusted collection figures, the bill is estimated to shift approximately \$12.9 M from FY 2004 to FY 2005. In addition to this shift in collections, the state is also expected to experience a minor reduction in interest revenue because of the change. The one-time loss in interest revenue is estimated at \$31,000.

The Sales Tax on gasoline has been prepaid since January 1988. The prepayment rate is the statewide average price per gallon of gasoline (excluding state and federal taxes) times the Sales Tax rate times 90%. The prepayment rate is set in December and June of each year.

Sales Tax-Exempt Purchases of Gasoline and Special Fuels: The bill also makes changes in the way in which persons making qualified tax-exempt purchases of gasoline and special fuels receive the Sales Tax exemption. Under current law, unless fuel is purchased from special pumps marked “Truck’s Only” or with a fuel card approved by the Department, persons making qualified tax-exempt purchases must submit their receipts to the Department to receive a refund of Sales Taxes paid. This bill eliminates the refund process and allows qualified purchasers who have been issued a state Sales Tax Exemption Certificate to receive the exemption at the point of sale, rather than through the refund process. (Tax exempt sales of other generally sales taxable goods are also exempted in this manner.)

This provision could impact state Sales Tax revenue if it reduces compliance with the state Sales Tax exemption laws.

Background Information: The Sales Tax is prepaid by the retail merchants to refiners, terminal operators, or qualified distributors. The collector then remits the prepaid tax to the Department of Revenue on a semi-monthly basis. When a gasoline retailer reports Sales Tax collections, the retailer deducts the amount of prepayment before determining the amount due from retail sales. The retailer then remits, typically on a monthly basis, any difference between the amount of tax it collected and the amount prepaid.

P.L. 192-2002 (ss) increased the Sales Tax rate to 6% and modified the distribution of Sales Tax revenue. The increase became effective on December 1, 2002, and the distribution changes are effective January 1, 2003. After January 1, 2003, Sales Tax revenue will be deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

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